JULY 1991

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

MARKETERS REVEAL THEIR SECRET WEAPON

BEYOND THE BOTTOM LINE
SALES MEASURES WITH A TWIST

CAPITOL IMPROVEMENTS
HOW A GOVERNMENT AGENCY TURNED ITSELF AROUND

BATTLING BOREDOM
INSURANCE CAMPAIGNS THAT INSPIRE AGENTS

THE CORPORATE CONNECTION
YOUR LINK TO TOP SUPPLIERS

A BILL PUBLICATION

87TH YEAR, VOL. 165, NO. 7

JULY 1991

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Cover photo by Martin DeLeon
Shot taken at A&S Plaza, a 9-level mall in New York City

INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

COVER STORY

MARKETERS' NEWEST SECRET WEAPON

In the never-ending battle for customers, marketers have discovered a simple strategy with powerful potential: targeting individual stores and consumers.

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A PHILADELPHIA STORY

TV news shows labeled it inefficient and backwards—but now this government agency is turning things around with Total Quality Management.

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INCENTIVE MARKETING

TARGETING TEENS

True, they're rebellious and recalcitrant. But with annual expenditures of nearly $80 billion, young people represent a gold mine for marketers.

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WHAT'S COOKING?

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EMPLOYEE MOTIVATION

WHEN THE PROMOTIONS KEEP COMING (AND COMING...)

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SPECIAL SUPPLEMENT

THE CORPORATE CONNECTION

A 36-page catalogue linking incentive buyers with top suppliers.

135

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FROM THE EDITOR

THE CORPORATE CONNECTION

BY BRUCE BOLGER

Not long ago, we came to a realization: Very few people have ever heard of the incentive business.

Though our publication has helped educate tens of thousands of incentive customers over the years, a surprisingly large number of executives apparently still don't know how to run incentive programs, nor have they ever heard about the incentive industry.

So last year, we produced a "how-to" educational series designed to help managers and executives implement useful, meaningful and measurable incentive campaigns. Already this year we've published "How to Run an Incentive Program" and "How to Run a Safety Incentive," and more booklets covering other important facets of incentive planning are on the way.

With nearly every company in search of cost-effective ways to improve performance, it's no wonder we've already sold thousands of copies of "How to Run an Incentive Program" since its publication in May. As the guide explains, the premise of employee incentives remains simple: Involve employees in setting the goals, empower them to meet those goals and recognize them—meaningfully—for doing so. It's a strategy that requires management's commitment but only a few dollars up front, since incremental performance improvement funds much of the program's cost.

This year, a select group of leading consumer-products manufacturers are again sponsoring another broad-based educational effort, "The Corporate Connection." Distributed to more than 100,000 executives nationwide—well beyond the readership of **Incentive**—it's designed to educate executives about the benefits of incentive programs and the resources available to help them improve sales, profits and quality. It demonstrates the support (through attractive prices and special services) offered by many of the nation's top companies to help businesses improve their performance through the efforts of their people.

We've enclosed a copy of The Corporate Connection in our current issue—not for those of you who already know about the field, but for your friends and colleagues who don't.

We hope you'll pass it along to someone who can benefit from it.

Bruce Bolger

Incentive/Managing and Marketing Through Motivation® (ISSN 0019-3364; USPS 799-880) is published monthly by Bill Communications, Inc., 341 White Pond Dr., Akron, OH 44320. Corporate and editorial headquarters: 633 Third Ave., New York, NY 10017. Subscriptions: US—$48, Canada/Foreign—$75, single copies—$5. December FACTS issue—$15. Copyright 1990 by Bill Communications Inc., all rights reserved. Postmaster: Send change of address to Incentive/Managing and Marketing Through Motivation, Box 3599, Akron, OH 44309-3599, fax (216) 867-0019. Second Class postage paid at Akron, OH, and at additional mailing offices.

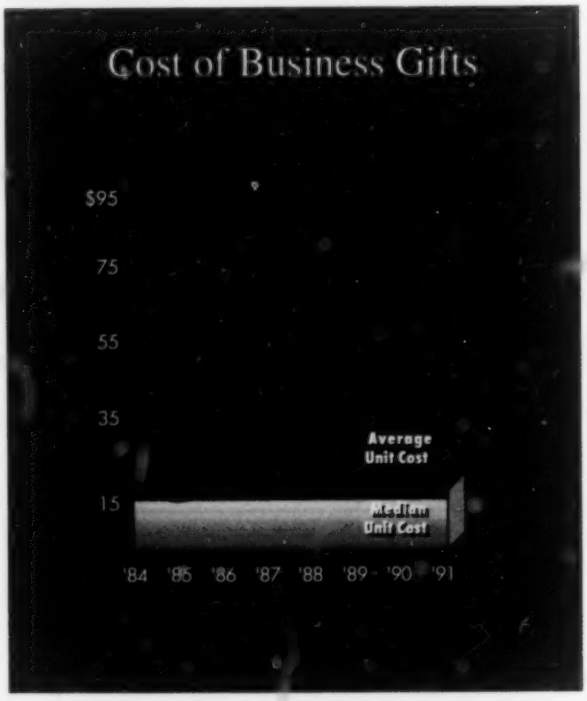
FACTS SURVEY
BUSINESS GIFTS

Another casualty of tough times: generous gift-giving.

Santa Claus might still come to town this year, but his sack will be considerably lighter. That's the picture drawn by several hundred business-gift givers in **Incentive**'s annual survey of business-gift practices and spending plans.

If buyers hold true to their business-gift budget projections, they will spend about $35 million more than they did in 1990, for a total of nearly $1.8 billion. Nevertheless, this figure represents an average rise of only 2 percent versus last year's actual outlays—clearly a retreat, when measured against the backdrop of last year's 6.1 percent inflation rate.

The 397 respondents aren't the first to say that times are tough. Respondents to the dealer FACTS survey, published in April, said they were already pulling back, estimating only a 4.8 percent rise in activity after the prior year's 7.6 percent increase. And in the June issue, users of non-sales employee incentives foresaw only a 2.4 percent expansion in buying this year. Only those using consumer premiums—perhaps hoping to prod consumers into a spate of spending—anticipated real growth: In the May survey, they predicted a 7.3 percent rise in expenditures.



One possible reason for the downturn in generosity: Compared to a strong promotion that might beef up product sales, a gift program may appear expendable. As one West Coast user pointed out, "We've been giving gifts for approximately 10 years. We believe in it strongly. Sadly, uncertain economic times have forced us to cut back." This user will spend $12,000 on business gifts this year, $6,000 less than in 1990; rather than buying fewer gifts, he will spend less this year on each of the 600 gifts he buys.

Another budget-cutter this year is Nancy Burkhart, promotion coordinator of Autotype USA, Schaumburg, Ill. She says, "We've been giving business gifts for around eight years. We have definitely gotten more careful about the cost per unit and who gets them. When times are rough, it's the first thing to get cut."

About 32 percent of executives said they'd already cut their gift expenditures within the past two years. In 29 percent of cases, they reduced the number of gift recipi-

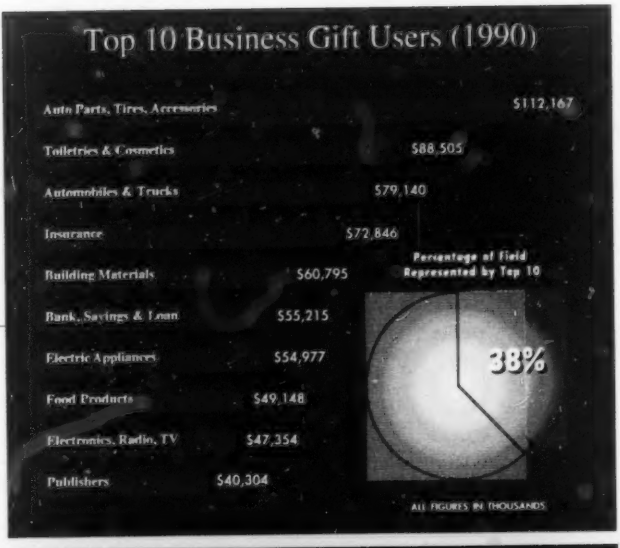
ents, and 16 percent cut back on the prices paid for gifts; the remaining 55 percent did both. Only 12 percent of the sample expect to reverse the cuts this year.

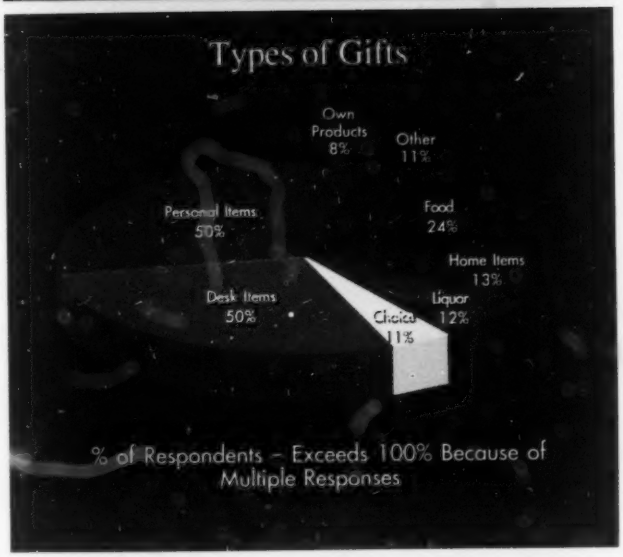
The median number of gifts bought by each user is 125, the same as two years ago but up from 107 last year. In addition, some buyers claim an increase in spending per gift. About 21 percent say they will spend more for each gift than last year, compared with 25 percent who gave the same response in 1990. About 67 percent are holding at the same unit-price level, while 12 percent are looking for lower price tags.

Overall, the average unit price is $81, up substantially from last year's $57, but below the $88 survey average in 1989. The median has remained at $20 for four years, comfortably below the IRS-decreed limit of $25 for a tax deduction. However, as the average shows, many users forgo part of the tax deduction in the interest of more valuable gifts.

For example, one Oklahoma wholesaler who has been giving gifts for about 15 years is now using "more frequent and more expensive" gifts. Although most of the 200 gifts he buys cost around $10, he now spends as much as $200 for some items.

Adds the director of marketing at a Midwest feed firm, gifts "must be more expensive than five years ago and of good quality. Trinkets are out." Some of his 250 gifts each year come in under the $25 deductible





1. Who does the buying?

Top management	62%
Sales/marketing management	27
Advertising/promotion management	7
Product/merchandising management	4

2. Where are gifts given?

Recipient's place of business	76%
Donor's place of business	27
Recipient's home	23

3. Sources of gifts

Direct from manufacturer	44%
Wholesaler or distributor	30
Incentive rep	30
Ad specialty counselor	30
Mail-order firm	17
Retail store	17
Incentive firm, jobber, stamp company	17

4. When are gifts bought?

January	13%
February	10
March	13
April	8
May	9
June	15
July	15
August	11
September	30
October	37
November	28
December	28

5. How are gifts delivered?

Salesperson	60%
Executive	40
Parcel service	34
Mail	27
Messenger	9

level, but others have price tags ranging from $40 to as much as $100. And an oil-company executive says, "we quit buying or giving junk and went to one or two very high-quality items." His gifts to 60 key customers range in cost from $35 to $70.

"We no longer use masssive quantities [of gifts] at trade shows for people to grab," says one manufacturer. "We now buy better items but a lot fewer, and we give them selectively."

Gift-giving seasons. Three-fourths of all users in the survey present some of their gifts at Christmas and Chanukah time. An important second occasion: trade shows or conventions, where 42 percent give gifts. Additional occasions are company anniversaries (12 percent), other holidays (4 percent), birthdays (2 percent) and a large "other" category, selected by 33 percent.

Customization of gifts remains popular. In a minority of cases (28 percent) the gift is personalized with the recipient's name or initials. Sixty-nine percent of the time, a company logo or advertising imprint is used. Many users describe the key objective of imprinting as "keeping the company's name before the customer," thus imparting much of the flavor of an advertising specialty. It's no accident that 30 percent of respondents say they buy their gifts from advertising-specialty counselors.

How long have companies been using business gifts? In this survey, executives claim handing them out for anywhere from 1 to *198* years (according to one railroad firm).

One of the older users is the product of a society where gift usage is probably more highly developed than in the U.S. "Our company," says an executive at an East Coast manufacturing firm, "has been in business for 102 years and has always given gifts. As a Japanese company, we give many types of gifts—it's a very polite Asian custom."

Federal-Mogul Corporation, Detroit, acknowledges a debt to that custom. Barry Murphy, investor-relations director of the automotive-equipment firm, says it has given gifts for 15 years. Today the items are "generally higher-priced, more useful items—fewer 'cheap' trinkets—and a wider selection to accommodate varying international tastes and customs. More gifts are

Top business gifts

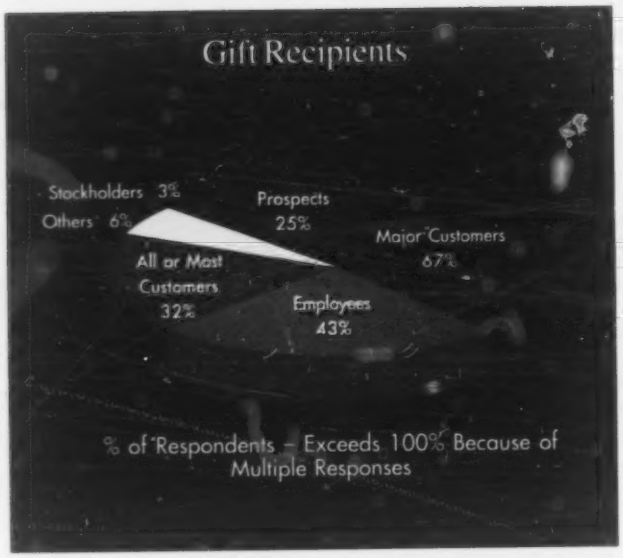
(percentage of respondents selecting each item)

Pens/pencils	22
Food gifts	20
Apparel	15
Clocks/watches	15
Desk sets/accessories	13
Calendars/diaries	10
Coffee mugs	9
Liquor/wine	8
Golf items	7
Home/decorative items	7
Radio/TV/VCR	7
Personal items	7
Caps/hats	5
Attaché cases/portfolios	5
Electronic items	5
Gift certificates	5
Glassware/crystal	5
Calculators	4
Housewares	4
Plaques/trophies	4
Books/subscriptions	3
Jewelry	3
Knives	3
Luggage	3
Trips	3
Artwork/prints	2
Flashlights	2
Flowers/plants	2
Sporting goods	2
Tools	2

given on more occasions; and Japanese gift-giving customs influenced this decision."

Another response to international influences came from Patricia Knese, marketing coordinator for Bondhus Corporation, a Monticello, N.Y., hand-tool manufacturer: "When giving gifts to our international importers, we used to only give products that were made in the U.S.A. But we've since ordered products that were made elsewhere."

Citing another kind of change in gift-giving habits, a vice president of a New England chemical company notes, "We have been giving business gifts for many years, and the main difference has been the shift from alcohol gifts to something less controversial." This company now offers gift recipients their choice from a merchandise catalogue.



Most gift-givers present their items at Christmas and Chanukah time.

A greater business orientation has been sought by a Midwestern machine-tool firm. After more than 20 years of giving personal gifts such as liquor, candy, fruit and other foods, the company now distributes desk planners to 150 major customers.

Respondents also claim that more employees, as opposed to just customers, are unwrapping business gifts.

For example, an executive at an Illinois service firm says the company has been "giving gifts for over 20 years, but the practice has an increased emphasis on gifts to employees, with the realization that catering to and satisfying these personnel is equally as important as satisfying its external customers."

A GUILT-EDGED PRACTICE?

FACTS survey respondents give out a median of 125 gifts a year, but they're also on the receiving end—they get an average of five items per annum. While in some cases their companies have policies against accepting gifts, these executives generally don't feel too threatened by the few items they get: Only 11 percent believe the gifts they received have ever been intended to "bribe" or influence them improperly, and only 7 percent think their own gift-giving ways may have exerted undue influence on recipients.

Despite these relatively low levels of ethical concern among those who both send and open gifts, corporate edginess about the practice persists. Respondents say they find anti-gift policies—prohibition of acceptance—in 29 percent of cases among their potential gift recipients. And 36 percent of these executives believe the anti-gift movement is increasing.

Many executives hold definite perceptions about potential impropriety. Says a Western wholesaler: "To avoid the issue of improper influence our gifts must meet several criteria: 1) have nominal value ($5 to $10), 2) be consumable within 24 hours, 3) be 'sharable' and 4) be a specialty advertising item with the company logo."

"Times have changed," notes Bryan C. Shirley, president and chief executive officer of Colrud Corporation in Chantilly, Va., "and the perceptions of buyers have caused more skepticism and reluctance to accept gifts. Even going out to lunch is sometimes incorrectly viewed."

"Many companies have policies against gifts," remarks Michael Roeth, sales manager of McCord Corporation, a Walled Lake, Mich., auto-parts firm. "We focus on discreet business-oriented gifts that can be used on the job: flashlights for quality inspectors, pens for executives, cardholders for engineers. We also have reduced the size of our logo and placed it in more discreet areas on the gift."

Food gifts help solve the problem for Donald Bercaw, general manager of Hobart Bros. Company, Troy, Mich. "Fruits, nuts and plants for special occasions seem to be most popular with our business associates, and they're less likely to be considered an attempt to influence a relationship—not too different from a business lunch or dinner, yet much less costly."

Paul Eilenberg, president of Meridian Trading Ltd., a Great Neck, N.Y.-based apparel company, offers this strategy: "We have always given Christmas gifts to our customers and to various vendors who work closely with us during the year. We often send a gift to a buyer or merchandise manager of a firm along with a gift to one of that company's principal officers. We want gift-giving out in the open to keep our motives pure!"